

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE WHOLESALE )	
WATER SERVICE RATE OF THE CITY OF )	CASE NO. 2012-00170
MILTON, KENTUCKY )	

ORDER

The city of Milton, Kentucky ("Milton") has filed notice with the Commission of a proposed increase in its rate for wholesale water service to West Carroll Water District ("West Carroll District") from \$1.50 per 1,000 gallons to \$3.50 per 1,000 gallons, effective May 15, 2012. West Carroll District has requested an investigation into the proposed rate revision.<sup>1</sup>

Considering this request as a motion for such investigation and for leave to intervene in any proceeding established to investigate the proposed wholesale rate adjustment and having reviewed the proposed wholesale rate adjustment, the Commission finds that, pursuant to KRS 278.190, further proceedings are necessary to determine the reasonableness of the proposed rate revision. The Commission further finds that West Carroll District's intervention is likely to present issues or to develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting this proceeding.

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<sup>1</sup> Letter from Vicki Edwards, Chair, West Carroll District, to Jeff Derouen, Executive Director, Public Service Commission (Apr. 10, 2012).

IT IS THEREFORE ORDERED that:

1. This proceeding is established to determine the reasonableness of Milton's proposed wholesale rate revision.

2. West Carroll District shall be entitled to the full rights of a party and shall be served with a copy of all Commission orders and all documents filed by any party to this proceeding.

3. Milton shall not take any action to charge the proposed revised wholesale water rate until obtaining Commission approval.

4. To the extent permitted by law and consistent with KRS 278.200, Milton's proposed revised wholesale rate is suspended from May 15, 2012 up to and including October 14, 2012.

5. The procedural schedule set forth in Appendix A to this Order shall be followed.

6. Milton shall file with the Commission no later than July 15, 2012 an original and eight copies of the information listed in Appendix B to this Order. Milton's response shall comply with the provisions of ordering paragraph 7 of this Order.

7. a. All responses to requests for information shall be appropriately bound, tabbed and indexed and shall include the name of the witness who will be responsible for responding to the questions related to the information provided, with copies to all parties of record and eight copies to the Commission.

b. Each response shall be under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the

preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

c. A party shall make timely amendment to any prior response if it obtains information that indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect.

d. For any request to which a party fails or refuses to furnish all or part of the requested information, that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

8. Any party that files written testimony shall file with the Commission an original and eight copies. Written testimony shall be in verified form.

9. The parties shall consider any request for information from Commission Staff as if ordered by the Commission.

10. Service of any document or pleading in paper form shall be made in accordance with 807 KAR 5:001, Section 3(7). Service upon a party shall be considered completed upon delivery of the document or pleading to the party or upon mailing the document or pleading to the party's address of record.

11. Any party filing a document or pleading with the Commission shall serve such document or pleading upon all other parties to this proceeding.

12. Any document or pleading that a party serves upon the other parties to this proceeding shall also be filed with the Commission.

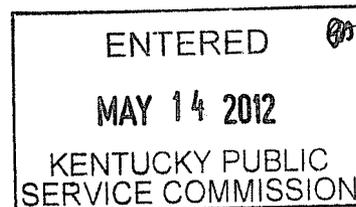
13. At any hearing in this matter, neither opening statements nor summarization of direct or rebuttal testimony shall be permitted.

14. Direct examination of witnesses shall be limited to the authentication and adoption of that written testimony. No summarization of written testimony by the witness shall be permitted.

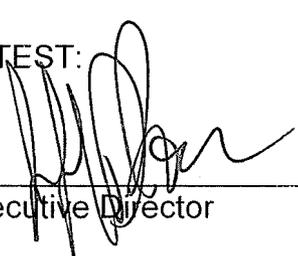
15. Witnesses who have filed written direct and rebuttal testimony shall present that testimony at the same sitting. Opposing parties may cross-examine such witnesses on both direct and rebuttal testimonies.

16. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

By the Commission



ATTEST:

  
\_\_\_\_\_  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2012-00170 DATED **MAY 14 2012**

An informal conference shall be held at the Commission's offices in Frankfort, Kentucky for the purpose of discussing case procedure, the possibility of settlement, the simplification of issues, and any other matters that may aid in the handling or disposition of this case, beginning at 1:30 p.m., Eastern Daylight Time, on ..... 05/29/2012

Milton shall file with the Commission and serve upon all parties of record its response to the Commission's request for information, which is set forth in Appendix B, no later than ..... 07/16/2012

Intervenors and Commission Staff shall serve their first set of requests for Information upon Milton no later than ..... 07/30/2012

Milton shall file with the Commission and serve upon all parties of record and Commission Staff its responses to the first set of requests for information no later than ..... 08/10/2012

Intervenors and Commission Staff shall serve their second set of requests for information upon Milton no later than..... 08/20/2012

Milton shall file with the Commission and serve upon all parties of record and Commission Staff its responses to the second set of requests for information no later than ..... 08/30/2012

Intervenor testimony, if any, shall be filed with the Commission and served upon all parties of record in verified prepared form no later than..... 09/10/2012

Parties and Commission Staff shall serve interrogatories and requests for information upon Intervenors no later than ..... 09/20/2012

Intervenors shall file with the Commission and serve upon all other parties of record and Commission Staff their responses to requests for information no later than ..... 10/01/2012

An informal conference shall be held at the Commission's offices in Frankfort, Kentucky for the purpose of considering the possibility of settlement, the simplification of issues, and any other matters that may aid in the handling or disposition of this case, beginning at 10:30 a.m., Eastern Daylight Time, on ..... 10/05/2012

Public Hearing is to be held at the Commission's offices at  
211 Sower Boulevard, Frankfort, Kentucky, for the purpose of  
cross-examination of witnesses..... To Be Announced

## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2012-00170 DATED MAY 14 2012

1. Provide in written, verified form the direct testimony of each witness that Milton intends to call at the scheduled hearing in this matter.
2. Provide the independent auditor's reports for Milton's water and sewer operations for the fiscal years ending June 30, 2009, June 30, 2010, and June 30, 2011.
3.
  - a. State the test period upon which Milton based its proposed rate adjustment.
  - b. Explain why this test period was chosen.
4. Provide the general ledgers for Milton's water and sewer operations for the proposed test period and the most recently concluded fiscal year. These general ledgers shall include all check registers and spreadsheets used to record and track financial transactions.
5. For each outstanding revenue bond issuance related to Milton's water and sewer operations:
  - a. Provide the bond ordinance or resolution authorizing the issuance of revenue bonds;
  - b. Provide an amortization schedule; and
  - c. Provide a detailed explanation of why the debt was incurred.
6. List all persons on Milton's payroll during the proposed test period. For each employee, state his or her job duties, total wages paid during the fiscal year, current salary or wage rate, and the percentage of work hours spent performing duties

for each city division (e.g., water, sewer, police department, public works) during the fiscal year. If Milton's records do not permit the allocation of an employee's work hours among city divisions, provide an estimate for each employee and explain how the estimate was derived.

7. For each employee listed in Item 6, describe how Milton allocated his or her payroll and payroll overhead charges to each city division for the proposed test period. This response shall include a detailed explanation of all allocation procedures. Payroll overhead charges include payroll taxes, health insurance premiums, pension costs, and any other employee benefit costs.

8. a. List all joint or shared costs that Milton incurred during the proposed test period. For each cost, list the vendor, total expense amount, amounts allocated per division, and the basis for allocation.

b. Describe the procedures to allocate joint and shared costs among Milton's divisions for the proposed test period.

c. Provide all internal memorandums, policy statements, correspondence, and documents related to the allocation of joint and shared costs.

9. Provide detailed depreciation schedules for the water and sewer divisions. A separate schedule shall be provided for each division.

10. Provide an adjusted trial balance and audit adjustments for the proposed test period and the most recently completed fiscal year. The trial balance shall be traced and referenced directly to the general ledgers requested in Item 4.

11. Provide the "Enterprise Funds Uniform Financial Information Report" that Milton submitted to the Kentucky Department of Local Government for the fiscal years ending June 30, 2009, June 30, 2010, and June 30, 2011.

12. a. Complete the table below:

<b>Water Main Size</b>	<b>Total Miles of Line</b>	<b>Miles of Lines Jointly Used by Both Milton and Its Wholesale Customers</b>
16"		
14"		
12"		
10"		
8"		
6"		
4"		
2"		

b. Identify the persons or entities that paid for the water main(s) that Milton uses to deliver water to Milton's wholesale customers.

c. Identify the other wholesale customers besides West Carroll District, if any, who are served from the water mains that Milton uses to deliver water to West Carroll District.

d. For each customer listed in response to Item 12(c), provide its monthly water usage for each of the previous 24 months.

13. a. What is the maximum capacity of Milton's water treatment plant?

b. (1) State the amount of Milton's total water treatment plant capacity that is currently reserved for West Carroll District.

(2) List and describe all changes, if any, that Milton expects within the next three years in the level of water treatment capacity reserved for West Carroll District.

14. a. Identify the entity that owns the master meter(s) through which Milton provides water to West Carroll District.

b. State the number of master meters that Milton uses to provide water service to West Carroll District.

c. State the entity that is responsible for maintaining these master meters?

15. Provide a system map showing all Milton's facilities that are used to serve the customers listed in Item 12(c).

16. State the portion, if any, of Milton's water main(s) that serve the customers listed in Item 12(c) that are gravity fed?

17. For each month of the previous 36 months, state Milton's water sales (in gallons) to:

- a. West Carroll District; and
- b. retail customers.

18. Complete the table below:

<b>City of Milton</b>	<b>Gallons for Test Period</b>	<b>Gallons for Fiscal Year Ending June 30, 2011</b>
Plant Use		
Line Loss (Unaccounted for)		
Sales to Retail		
Sales to West Carroll District		
Sales to Other Wholesale Customers		
Total Produced and Purchased		
Total Sold		

19. List the types of water service (e.g., service to municipal buildings, fire protection, etc.) that are included in the unmetered amount. For each type of service, estimate the percentage of the total unmetered amount.

20. Provide the cost-of-service study upon which the proposed rates are based.

21. Provide the vitae curriculum of the person(s) who prepared the cost-of-service study upon which the proposed rates are based.

Vickie Edwards  
Chairperson  
West Carroll Water District  
P. O. Box 45  
Carrollton, KY 41008

Denny Jackson  
Mayor  
City of Milton  
10179 Hwy 421 N  
Milton, KY 40045